

Message Text

LIMITED OFFICIAL USE

PAGE 01 STOCKH 03332 01 OF 02 111205Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 DODE-00 PA-01 PRS-01 L-03 H-01
IO-13 /106 W

-----091830 111221Z /45

R 111022Z AUG 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 1313

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LUXEMBOURG

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 1 OF 2 STOCKHOLM 3332

USEEC

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STOCKH 03332 01 OF 02 111205Z

USOECD

E.O. 11652: N/A

TAGS: EFIN, SW

SUBJECT: SWEDISH PRESS CONTINUES TO SPECULATE ON DEVALUATION
OF KRONA

REF: STOCKHOLM 3134

BEGIN UNCLASSIFIED

1. MOST RECENT AMONG SWEDISH PRESS FORECASTS OF DEVALUATION OF THE SWEDISH KRONA WAS THREE-PAGE ARTICLE IN BUSINESS WEEKLY "VECKANS AFFARER" OF AUGUST 11 HEADED "BATTLE OF THE KRONA--GOVERNMENT'S MOST DIFFICULT TEST." LEAD TEXT RAN: "ANOTHER BIGGER DEVALUATION OF THE SWEDISH KRONA IS BECOMING INCREASINGLY PROBABLE . . . MID-SEPTEMBER IS A LIKELY TIME. THE GOVERNMENT IS FACED WITH DIFFICULT DECISIONS, BUT FURTHER WORSENING OF OUR TRADE BALANCE AND INCREASING SPECULATION HAVE GRADUALLY REDUCED THE OPTIONS."

2. ARTICLE NOTED FOLLOWING POINTS FAVORING DEVALUATION:

A) TRADE BALANCE AND CURRENT ACCOUNT DEFICITS INCREASING; B) SPECULATION AGAINST KRONA ("SUPPORT PURCHASES APPROACHING HALF A BILLION KRONA AT ONE TIME HAVE OCCURRED"). OTHER POINTS SPEAK AGAINST DEVALUATION: A) UNCERTAINTY IN GOVERNMENT AND CENTRAL BANK ABOUT EFFECTS; B) CONSUMER PRICES WOULD AUTOMATICALLY INCREASE BY ONE-THIRD OF DEVALUATION PERCENTAGE; C) THERE WOULD BE STRONG REACTION ON PART OF TRADE UNIONS, WHO WOULD DEMAND COMPENSATION IN BARGAINING ROUND TO BEGIN THIS FALL, LEADING TO VICIOUS WAGE-PRICE-INFLATION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STOCKH 03332 01 OF 02 111205Z

CIRCLE.

3. MAGAZINE PRESENTED ITS OWN TRADE BALANCE ESTIMATES FOR 1977 AND 1978, WHICH WERE (IN MILLION KRONOR):

	1977	1978
EXPORTS	89,000	98,000
IMPORTS	93,000	101,000
TRADE BALANCE	-4,000	-3,000

WERE SWEDEN TO DEVALUE KRONA BY TEN PERCENT, MAGAZINE SAID, VALUE OF EXPORTS WOULD INCREASE BY SAME AMOUNT WHILE VALUE OF IMPORTS WOULD INCREASE BY ONLY THREE PERCENT, CORRESPONDING TO IMPORT CONTENT OF SWEDEN'S EXPORTS. TABLE FOR 1978 WOULD THEN BE AS FOLLOWS:

EXPORTS	108,000
IMPORTS	104,000
TRADE BALANCE PLUS	4,000

WERE COUNTRY ALSO TO REGAIN SOME OF LOST MARKET SHARES AS A RESULT OF SUCH A DEVALUATION--SAY AN IMPROVEMENT OF MARKET POSITION BY TWO PERCENT--FIGURES WOULD IMPROVE STILL FURTHER:

EXPORTS	110,000
IMPORTS	102,000

TRADE BALANCE PLUS 8,000

4. DISCUSSING TIMING OF SPECULATED DEVALUATION, ARTICLE NOTED THAT A) MANY EUROPEAN FINANCE MINISTERS AND CENTRAL BANK CHIEFS ARE ON VACATION IN AUGUST; B) SWEDISH CENTRAL BANK GOVERNORS MEET ON FRIDAY, SEPTEMBER 15; C) COMMON MARKET FINANCE MINISTERS ARE DUE TO MEET IN BRUSSELS ON SEPTEMBER 19.

5. AS AN ASIDE, MAGAZINE REMINDED READERS THAT SEPTEMBER 19 IS 28TH ANNIVERSARY OF LAST "SUCCESSFUL" SWEDISH DEVALUATION, WHICH WAS 30 PERCENT AGAINST US DOLLAR IN 1949. SMALL ADJUSTMENTS OF SWEDISH KRONA THAT HAVE TAKEN PLACE WITHIN EC SNAKE DURING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STOCKH 03332 01 OF 02 111205Z

PAST YEAR HAVE NOT BEEN SUCCESSFUL FOR SWEDEN
VIS--VIS OECD BLOCK, ACCORDING TO THE MAGAZINE.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 STOCKH 03332 02 OF 02 111149Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 H-01 DODE-00 PA-01 PRS-01
IO-13 /106 W

-----091371 111222Z /45

R 111022Z AUG 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 1314
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LUXEMBOURG
AMEMBASSY LISBON
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 2 OF 2 STOCKHOLM 3332

USEEC

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STOCKH 03332 02 OF 02 111149Z

USOECD

6. "VECKANS AFFARER" CONCLUDED BY SAYING THAT PRESENT SPECULATION AGAINST KRONA IS NOW OF SUCH MAGNITUDE THAT SWEDEN MAY BE FORCED TO DEVALUE, ADDING THAT FINANCE MINISTER BOHMAN'S VARIOUS STATEMENTS TO FOREIGN PRESS MAY WELL BE HIS METHOD OF USING SNAKE TO PUT PRESSURE ON FALLDIN GOVERNMENT: "WHEN THINGS BECOME DRAMATIC, IT IS EASY TO GET A GOVERNMENT--AND LATER THE GENERAL PUBLIC--TO ACCEPT A BIG DEVALUATION." END UNCLASSIFIED.

7. BEGIN LIMITED OFFICIAL USE. COMMENT. WE NOW ACCEPT A DEVALUATION OF THE KRONA AS LIKELY. WE ALSO CONTINUE TO BELIEVE THAT SWEDISH AUTHROITIES WISH TO REMAIN IN THE SNAKE. HOWEVER, IN STAYING WITH THE SNAKE THEY ARE CONTINUING TO TIE SWEDEN'S CURRENCY TO THE DEUTCHMARK AND TO EVENTS IN WEST GERMANY AND ON THE FINANCIAL MARKETS WHICH ARE UNRELATED TO THE SWEDISH SITUATION. YET NOW IS THE TIME WHEN SWEDEN CLEARLY NEEDS TO MAXIMIZE ITS ABILITY TO CONTROL ITS ECONOMIC DESTINY IN THE YEARS AHEAD. IF NEGOTIATIONS WITH SNAKE PARTNERS DO NOT APPEAR TO PROVIDE ENOUGH RELIEF THEN WE DO NOT RULE OUT THAT SWEDEN WILL LEAVE THE SNAKE.

8. PRIME MINISTER FALLDIN IS BEGINNING CONSULTATIONS WITHIN THE ECONOMY WITH INTERESTED GROUPS ON WHAT THE REGIME SHOULD PRESENT AS A "CRISIS PACKAGE" TO THE RIKSDAG IN OCTOBER. THE ROLE OF A DEVALUATION MUST

BE ON THAT AGENDA. WE EXPECT THAT FINANCE MINISTER
BOHMAN WILL HAVE GUIDANCE BY EARLY SEPTEMBER FOR MID-
SEPTEMBER MEETINGS WITH EUROPEAN COLLEAGUES, INCLUDING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STOCKH 03332 02 OF 02 111149Z

THE NORDIC FINANCE MINISTERS (NO DATE SET YET). IT
APPEARS REASONABLE, THEN, THAT A DECISION ON DE-
VALUATION WOULD BE TAKEN, AND IMPLEMENTED IF
NECESSARY, BEFORE THE WORLD BANK AND FUND MEETINGS IN
LATE SEPTEMBER IN WASHINGTON. END LIMITED OFFICIAL
USE.

PERRY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, DEVALUATIONS, KRONA
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH03332
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770289-0564
Format: TEL
From: STOCKHOLM USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770870/aaaachgp.tel
Line Count: 240
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f444105c-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STOCKHOLM 3134
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1627436
Secure: OPEN
Status: NATIVE
Subject: SWEDISH PRESS CONTINUES TO SPECULATE ON DEVALUATION OF KRONA
TAGS: EFIN, SW
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/f444105c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009